

MANAGEMENT MEMO

SUBJECT:

STATE MOTOR VEHICLE INSURANCE ACCOUNT
2004/05 FY PREMIUM ASSESSMENT

REFERENCES:

Government Code Sections 11290 (a), 16378, 16379
Supersedes Management Memo 03-07

NUMBER:

MM 04-13DATE ISSUED:
MAY 25, 2004EXPIRES:
MAY 25, 2005

ISSUING AGENCY:

Department of General
Services

Introduction This management memo provides state agencies information on the State Motor Vehicle Insurance Account (SMVIA) premium assessment for the 2004/2005 fiscal year.

Motor Vehicle Insurance Account The State Motor Vehicle Insurance Account (SMVIA) is funded through assessments charged to state agencies that own vehicles/equipment. The assessment reflects the projected amount to be expended to pay claim settlements and administrative expenses such as adjusting and defense costs.

Calculation Of Assessment Each state agency's insurance premium assessment is rated based on claim experience for the last five calendar years ending December 31, 2003.

State Agencies that own more than 300 vehicles are rated on their own claim experience; state agencies with less than 300 vehicles are grouped together and experience-rated as though they were one entity.

Attachment 1 reflects the 2004/05 fiscal year motor vehicle self-insurance assessments for the 21 large owning departments and the All Other group.

The premium assessment for the *All Other* group will be distributed to departments in this group on a *per vehicle basis* using the last reported vehicle inventory from the Office of Fleet Administration (October 2003).

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Loss Reporting Period

The loss reporting period for assessing the 2004/05 fiscal year assessments has seen a dramatic increase in the number of higher claim costs and settlements. The SMVIA has experienced one of the worst claims period since 1992/93 fiscal year. The SMVIA is projecting to pay out over \$21 million in claims for 2003/04 fiscal year and expected settlements for 2004/05 fiscal year is projected at \$26.5 million.

SMVIA Program Coverage

The SMVIA provides:

- unlimited self-insured liability coverage for the state agencies and employees who operate vehicles on state business.
 - excess liability coverage for state employees on state business while driving non-state vehicles, but only after the vehicle owner's liability policy limits have been paid.
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Coverage Limitation Exception

Effective January 1, 2004, when a non-salaried driver is involved in a motor vehicle accident while on state business, the program's coverage will be limited to \$1 million per accident, regardless of ownership of the vehicle. The driver's employing department/agency will be financially responsible for the payment of any claims, settlements, judgments or verdicts in excess of \$1 million.

Reference: Management Memo 04-03

Minimizing/Reducing Vehicle Losses

State agencies can help minimize and/or reduce these losses by following state policies and recommended practices on vehicle use and operator requirements:

- Employees who operate vehicles on official business must have a valid driver's license and a good driving record.
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Minimizing/ Reducing Vehicle Losses

- Agencies shall participate in the Department of Motor Vehicles (DMV) "Pull Notice Program" if they have employees who operate vehicles on official business as a condition of employment for Class A, B, or Class C drivers' licenses with special certificates.
- Agencies should request drivers' records from DMV annually.
- Authorized drivers should be permanent state employees.
- Drivers under the age of 18 may not operate state vehicles under any circumstances.
- Employees who operate vehicles on official business shall attend and successfully complete an approved defensive driver training course at least once every four years. Online registration available at: <https://www.training.dgs.ca.gov>.
- Employees operating their private vehicle on official business must complete a STD. 261, *Authorization to Use Privately Owned Vehicles on State Business*. This form certifies liability insurance for the minimum financial responsibility limits as set forth in statute. Additionally, the employee certifies the vehicle is adequate for the work, equipped with operating safety belts and is in safe mechanical condition.
- Report all vehicle accidents within 48 hours to the Office of Risk & Insurance Management (ORIM) using the STD. 270, Vehicle Accident Report form. The form is available online at www.orim.dgs.ca.gov.

Contact

Questions concerning the vehicle self-insurance assessments can be directed to:

Jan Dietz, Acting Chief
Office of Risk & Insurance Management
Telephone: (916) 376-5315
Email: jan.dietz@dgs.ca.gov.

Visit our website at www.orim.dgs.ca.gov for information on ORIM services.

Signature

Original signed by Ron Joseph, Interim Director

Ron Joseph, Interim Director
Department of General Services

Attachment

STATE ADMINISTRATIVE MANUAL

ATTACHMENT 1 2004/2005 MOTOR VEHICLE SELF-INSURANCE ASSESSMENT

Department	2003/04 Premiums	2004/05 Premiums	2004/05 Vehicle Rate
Conservation Corps	\$ 149,375	\$ 336,094	\$579
Consumer Affairs	180,015	225,019	348
Corrections	1,309,686	1,702,592	304
Developmental Services	96,878	159,849	178
District Agricultural Associations*	110,001	137,501	146
Employment Development	77,656	124,250	298
Fish & Game	382,557	439,941	160
Food & Agriculture	227,256	582,238	755
Forestry	526,195	1,078,700	350
General Services	1,553,228	3,184,117	462
Highway Patrol	4,615,217	9,230,434	2,347
Justice	217,841	446,574	462
Lottery	98,753	98,753	431
Mental Health	39,840	45,816	105
Motor Vehicle	119,408	268,668	680
Parks & Recreation	355,533	639,959	236
Prison Industry Authority	86,080	86,080	82
State University	632,884	3,797,304	1,007
Transportation	5,588,740	8,830,209	800
Water Resources	139,775	183,105	108
Youth Authority	115,620	242,802	456
All Others	753,628	1,168,123	528
Total Premium and Average Vehicle Rate	\$17,426,166	\$33,008,128**	\$640

*District Agricultural Association group includes California Exposition, California Science Center, and Food & Agriculture Marketing Boards.

**Total includes expected claims paid, administrative expenses (including legal defense), and funds to build a prudent reserve.